



**COUNTY OF LOS ANGELES  
DEPARTMENT OF AUDITOR-CONTROLLER**

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July 30, 2007

TO: Supervisor Zev Yaroslavsky, Chairman  
Supervisor Gloria Molina  
Supervisor Yvonne B. Burke  
Supervisor Don Knabe  
Supervisor Michael D. Antonovich

FROM: J. Tyler McCauley   
Auditor-Controller

SUBJECT: **HERITAGE CLINIC AND THE COMMUNITY ASSISTANCE PROGRAM  
FOR SENIORS dba GERO-NET CONTRACT COMPLIANCE REVIEW –  
A DEPARTMENT OF MENTAL HEALTH SERVICES PROVIDER**

We have completed a contract compliance review of Heritage Clinic and the Community Assistance Program for Seniors dba Gero-Net (Heritage or Agency), a Department of Mental Health (DMH) services provider.

**Background**

DMH contracts with Heritage, a private non-profit community-based organization, which provides services to clients in Service Planning Area 3. Services include interviewing program clients, assessing their mental health needs and developing and implementing a treatment plan. The Agency's headquarters is located in the Fifth District.

Our review focused on approved Medi-Cal billings. DMH paid Heritage between \$1.41 and \$3.17 per minute of staff time (\$84.60 to \$190.20 per hour). Heritage's contract was for approximately \$1 million for Fiscal Year (FY) 2006-07.

**Purpose/Methodology**

The purpose of the review was to determine whether Heritage provided the services outlined in their contract with the County. We also evaluated whether the Agency achieved planned service levels. Our monitoring visit included reviewing a sample of

*"To Enrich Lives Through Effective and Caring Service"*

Heritage's accounting records and documentation to support the Agency's compliance with the fiscal requirements of its DMH contract. We also selected a sample of Heritage's billings, client charts, and personnel and payroll records to review Heritage's compliance with DMH program requirements. In addition, we interviewed staff from Heritage and a sample of clients or their parents/guardians.

### **Results of Review**

Generally, Heritage provided the services in accordance with their County contract. Heritage maintained sufficient documentation to support the service minutes billed. In addition, the program clients we interviewed stated that the services they received met their expectations.

Heritage also maintained an appropriate Cost Allocation Plan and appropriately allocated indirect costs to DMH in accordance with their plan. However, the Agency used program funds totaling \$1,544 to pay for two unallowable expenditures.

We have attached the details of our review along with recommendations for corrective action.

### **Review of Report**

We discussed the results of our review with Heritage on June 13, 2007. In their attached response, the Agency generally agreed with the results of our review and described their corrective actions to address the findings and recommendations contained in the report.

We thank Heritage management for their cooperation and assistance during this review. Please call me if you have any questions or your staff may contact Don Chadwick at (626) 293-1102.

JTM:MMO:DC

Attachment

c: William T Fujioka, Chief Executive Officer  
Dr. Marvin J. Southard, Director, Department of Mental Health  
Vatche Kelartinian, CEO, Heritage Clinic  
Public Information Office  
Audit Committee

**CONTRACT COMPLIANCE REVIEW  
HERITAGE CLINIC AND THE COMMUNITY ASSISTANCE PROGRAM FOR  
SENIORS dba GERO-NET  
FISCAL YEAR 2005-2006**

**BILLED SERVICES**

**Objective**

Determine whether Heritage Clinic and the Community Assistance Program for Seniors dba Gero-Net's (Heritage or Agency) provided the services billed in accordance with their contract with Department of Mental Health (DMH).

**Verification**

We judgmentally selected 35 billings totaling 2,945 minutes from 55,274 service minutes of approved Medi-Cal billings during the months of February and March 2006. We reviewed the Progress Notes, Assessments and Client Care Plans maintained in the clients' chart for the selected billings. The 2,945 minutes represents services provided to 30 program participants.

**Results**

Generally, Heritage maintained documentation to support the service minutes billed and the clinical staff sufficiently documented the service in the Progress Notes.

**Assessments and Client Care Plans**

Assessments for three (10%) of 30 clients sample were completed an average of 84 days beyond the required timeframe. An Assessment is a diagnostic tool used to document the clinical evaluation of each client and establish the client's mental health treatment needs.

Heritage did not maintain completed Client Care Plans for two (7%) of the 30 clients sampled. The Client Care Plan establishes goals and interventions that address the mental health issues identified in the client's Assessment. Specifically, one Client Care Plan did not contain observable and/or quantifiable goals and one Client Care Plan did not contain goals and planned interventions for each type of treatment provided.

**Recommendations**

**Heritage management:**

- 1. Ensure that Assessments are completed timely.**

2. Ensure that Client Care Plans are completed in accordance with the County contract.

### **CLIENT VERIFICATION**

#### **Objective**

Determine whether clients received the services that Heritage billed DMH.

#### **Verification**

We interviewed six participants that the Agency billed DMH for services during the months of February and March 2006.

#### **Results**

The six program participants interviewed stated that the services they received from the Agency met their expectations.

#### **Recommendation**

There are no recommendations for this section.

### **STAFFING LEVELS**

The objective of this section is to determine whether the Agency maintained the appropriate staffing ratios for applicable services.

We did not perform test work in this section, as the Agency did not provide for services that require staffing ratios for this particular program.

#### **Recommendation**

There are no recommendations for this section.

### **STAFFING QUALIFICATIONS**

#### **Objective**

Determine whether Heritage treatment staff possessed the required qualifications to provide the services.

**Verification**

We reviewed the California Board of Behavioral Sciences' website and/or the Agency's personnel files for 18 of 28 Heritage treatment staff employed by the Agency during the months of February and March 2006.

**Results**

Each employee in our sample possessed the qualifications required to deliver the services billed.

**Recommendation**

**There are no recommendations for this section.**

**SERVICE LEVELS****Objective**

Determine whether Heritage's reported service levels varied significantly from the service levels identified in the DMH contract.

**Verification**

We obtained the FY 2005-06 Cost Report submitted to DMH by Heritage and compared the dollar amount and billed units of service to the contracted units of service identified in the contract for the same period.

**Results**

Heritage provided the service levels outlined in the County Contract.

**Recommendation**

**There are no recommendations for this section.**

**CASH/REVENUE****Objective**

Determine whether cash receipts and revenue were properly recorded in Heritage's financial records and deposited timely in their bank account. Determine whether there are adequate controls over cash.

**Verification**

We interviewed Heritage's management and reviewed the Agency's records. We also reviewed the Agency's April 2006 bank reconciliation.

**Results**

Heritage properly recorded and deposited cash receipts timely. In addition, the Agency completed timely bank reconciliations. However, the reconciliation listed five checks totaling \$1,711 that were over one year outstanding.

**Recommendation**

3. **Heritage management ensure that reconciling items are cleared from the bank reconciliations in a timely manner.**

**EXPENDITURES****Objective**

Determine whether the expenditures reported to DMH were appropriate and allowable under regulations governing the contract and were properly documented.

**Verification**

We reviewed the supporting documentation for 15 expenditures totaling \$14,727.

**Results**

We identified \$1,544 in our sample undocumented and unallowable expenditures that were charged to the DMH program. Specifically,

- The Agency charged \$850 for travel expenditures that were not adequately documented. The documentation provided did not include the purpose of the trips and/or the destination addresses. Therefore, we were unable to determine whether the expenditure benefited the DMH program.
- The Agency charged \$694 for a company holiday party which is not allowed.

Subsequent to our review, the Agency reduced the \$1,544 amount charged to DMH on their final Cost Report.

**Recommendation**

4. **Heritage management maintain sufficient documentation to support program expenditures.**

**FIXED ASSETS/EQUIPMENT****Objective**

Determine whether fixed assets and equipment charged to the DMH program are used in the mental health program and adequately safeguarded.

**Verification**

We interviewed staff and requested a list of fixed assets and equipment.

**Results**

Heritage did not maintain a list of fixed assets and equipment, as required. The listing should include the assigned individual, an item description, serial number or unique identifier, acquisition cost, source of funding, and the program(s) where the asset is used.

**Recommendation**

5. Heritage management maintain a listing of the Agency's fixed assets and equipment including the assigned individual, an item description, serial number or unique identifier, acquisition cost, source of funding, and the program(s) where the asset is used.

**COST ALLOCATION****Objective**

Determine whether Heritage's Cost Allocation Plan was appropriate and that the Agency used the plan to appropriately allocate shared program expenditures.

**Verification**

We reviewed Heritage's Cost Allocation Plan, interviewed management and reviewed documentation to support the Agency's allocation of indirect costs to the DMH program.

**Results**

Heritage's Cost Allocation Plan was appropriate, and the Agency followed the plan to allocate indirect costs to the DMH program.

**Recommendation**

There are no recommendations for this section.

## The Center for Aging Resources

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### Heritage Clinic

447 N. El Molino Avenue  
Pasadena, CA 91101  
(626) 577-8480  
Fax (626) 577-8978

301 N. Prairie Avenue  
Suite 612  
Inglewood, CA 90301  
(310) 673-8402  
Fax (310) 673-8407

1037 West Avenue N  
Suite 205  
Palmdale, CA 93551  
(661) 575-9365  
Fax (661) 575-9502

1940 Market Street  
San Diego, CA 92102  
(619) 233-3381  
Fax (619) 236-8240

200 E. Washington Avenue  
Escondido, CA 92025  
(760) 737-8642  
Fax (760) 737-8918

### The Community Assistance Program for Seniors Alzheimer's Day Care Centers

3740 E. Sierra Madre Blvd.  
Pasadena, CA 91107  
(626) 351-5427  
Fax (626) 351-2308

520 South Lark Ellen Avenue  
West Covina, CA 91791  
(626) 917-4484  
Fax (626) 917-4475

### Website

[www.centerforagingresources.org](http://www.centerforagingresources.org)  
[www.heritageclinic.org](http://www.heritageclinic.org)

July 12, 2007

TO: J. Tyler McCauley  
Auditor-Controller

From : Heritage Clinic and the Community Assistance Program for  
Seniors

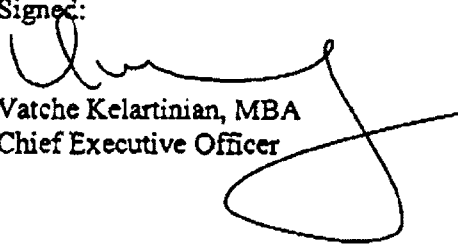
Subject: Contract Compliance Review Response

We, at Heritage Clinic, have reviewed the Compliance Review Report.  
Following is our response to a few of the items in the report:

### Item #

1. Billed Services: Heritage has implemented a system to ensure that Assessments and Annual Updates are completed in a timely manner.
2. Billed Services: Heritage has implemented a system to ensure that Client Care Plans are completed in accordance with County contract.
3. Cash Revenue: Heritage and the CPA have developed a system to ensure that outstanding checks over 6 months are voided.
4. Expenditures: This item was deleted from the cost report and the end of the year financial statement.
5. Fixed Assets: Heritage will start maintaining a listing of the agency's minor equipments (less than \$3,000), i.e. computers, printers, etc.

Signed:

  
Vatche Kelartinian, MBA  
Chief Executive Officer